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OREGON

## United States Senate

WASHINGTON, DC 20510

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COMMITTEES:  
ENVIRONMENT AND  
PUBLIC WORKS  
  
HEALTH, EDUCATION,  
LABOR, AND PENSIONS  
  
BANKING, HOUSING,  
AND URBAN AFFAIRS  
  
BUDGET

Hon. Ben Bernanke  
Chairman, Board of Governors  
Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

Dear Chairman Bernanke:

I write to urge you to ensure that the proposed rule on debit interchange sufficiently protects the needs of smaller community banks and credit unions, such as those in Oregon, while implementing its primary purpose of ensuring that debit cards clear similar to the checks they were meant to replace.

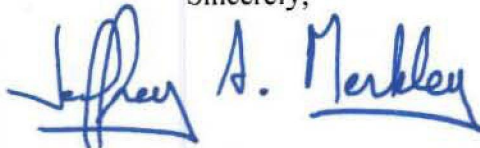
Small businesses every day accept debit cards because they simulate a check with additional convenience. Ensuring that the transaction charges associated with debit cards match their check-like roots is important to small businesses and merchants, and was a principal reason that section 1075 was included in the Dodd-Frank Act. For many in Congress, critical to our decision to support section 1075 were the provisions designed to ensure that community banks and credit unions, which have different cost structures from the larger issuers, would be able to maintain their debit card programs without being seriously affected.

While the rule proposed by the Federal Reserve implements the Congressional directive to make debit transactions more like checks, many community banks and credit unions in Oregon have expressed their concern to me that the proposed rule in its current form does not sufficiently address the different cost structures of running a debit card program at a smaller institution. Particularly troubling, it was brought to light that the Federal Reserve did not survey community banks and credit unions as part of the study mandated by section 1075. Such a survey would likely have revealed these institutions' concern that they would be practically unable on their own to ensure the development of two-tiered market. It would also likely reveal their uncertainty regarding the implementation of the anti-discrimination provisions and fraud-related costs.

To ensure that the will of Congress is fully effected, I urge you to 1) survey the community banks and credit unions to understand how they might be affected, 2) clarify the rules under section 1075, especially regarding anti-discrimination, and, 3) as needed, use your additional authorities over the payment system to make section 1075 work as envisioned.

Thank you for your attention to this matter.

Sincerely,



Jeff Merkley

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